NOTES.

In Europe a public career has long been open to economists. The finance ministers of the continent have been frequently selected from the rank of professional economists. In the United States, on the other hand, it has long been the fashion of the man of affairs to regard the academic man as unfit for the practical duties of office. Such a state of things could not, in nature, continue forever; and there are many interesting evidences of an increasing respect for the opinions and judgment of trained economists.

Some time ago David A. Wells and Francis A. Walker made great reputations in the service of the government. More recently several cases illustrate the value set upon economic training: Professor A. T. Hadley's appointment some years ago as Commissioner of Labor in Connecticut; Professor H. C. Adams's continued service as the statistician of the Interstate Commerce Commission; the exceptional collection of prices by Professor R. P. Falkner, for the Aldrich Senate Committee; the conspicuous efficiency of Professor F. W. Taussig on the Massachusetts Commission on Taxation; the consultation of Governor Roosevelt with Professor E. R. A. Seligman on legislation relating to taxation; the selection of Professor Emory R. Johnson, of the University of Pennsylvania, upon the Isthmian Canal Commission; the present work of Professor J. W. Jenks, on Trusts, for the Industrial Commission authorized by Congress; and the choice of Professor Walter F. Wilcox, of Cornell, as the chief statistician of the new national census.

The rise in the rate of discount, and the exceptionally high rates charged on speculative operations during the last few weeks have an interest beyond the temporary effect on business and stock transactions. The causes lying behind the facts are very significant as to our monetary situation. In the first place, the rigidity of the currency is brought clearly to view, whenever the conditions of foreign exchange (such as are produced, among other things, by the Transvaal war) prevent the easy flow of gold to this country on the rise in the rate of interest. The unmistakable prosperity of the country has taken up a

large part of the stock of paper money for uses as a medium of exchange, and the inelasticity of bank issues has become painfully apparent. For this the self-evident remedy—to which the country must come in time—is a more elastic bank-currency based on commercial assets. The existing situation throws up this need in a very practical manner. In the second place, another factor has just reappeared to work more or less damage. Not until very recently has the United States been blessed with a surplus. The heavy taxes imposed during the Spanish war now unite with former sources in yielding an income greater than the outlay (even while the Philippine war continues). This flow of money into the treasury brings forth again the malignant influence of the old Independent Treasury system upon the money market. Although keeping as large deposits as seem politically defensible with the banks, the secretary finds his surplus increasing. Just to the extent that this goes on, it drains the resources of the banks at the very time when great legitimate demands are made upon them by the development of industry. The crudeness of our monetary system is sure to be brought to light whenever an emergency arises. The prepayment of bonds which has been offered by the Secretary of the Treasury is a necessity arising from the Independent Treasury System, and deserves none of the criticism which a captious press has given it.

THE evident purpose of the party in power to pass a currency measure at this session of Congress gives the bills presented in the house and senate exceptional interest. That of the house is remarkable in many respects; it is admirably clear, comprehensive and adroit. Indeed, in importance no legislation since the Civil War is at all comparable with it. In essentials it follows very closely the plan of the Indianapolis Monetary Commission in regard to metallic currency, while dealing sparingly with banking. (1) The bold declaration that 25.8 grains standard gold shall constitute the monetary unit will remove all uncertainty as to the coins in which private contracts are to be paid; and all government obligations are made specifically payable in gold. But this is not so satisfactory as it might be, in view of the retention of the present legal-tender qualities of the silver and paper now in existence. These disadvantages are, however, counterbalanced by other provisions. (2) Of these the most far reaching is the separation of the monetary and fiscal operations of the treasury. No other one thing will do more to clarify the public mind as to the forces acting on our

currency, and at the same time protect our standard of prices. This is accomplished by the creation of a Division of Issue and Redemption, which will entirely destroy the pernicious operation of the Act of May 31, 1878, which allowed United States notes to be reissued after being redeemed. (3) The authorization of direct redemption of the token silver dollar secures this kind of money from any possible depreciation, so long as the treasury has gold in the Bureau of Issue and Redemption. (4) To secure the means, the secretary is given power to sell bonds. Nothing in the whole bill is of more practical value. And in this connection (with an eye on increased facility of bank issues) the refunding of the bonded debt has been proposed, especially in the senate bill. (5) The silver certificates are reduced in denominations below ten dollars. In that case, little silver is likely to come in for redemption in gold. And yet, while little is said about silver in the bills, the whole danger from the silver currency is practically removed. If the essentials in the above mentioned points finally emerge in the law which will result from the conference of house and senate, the business public may well breathe a sigh of relief, and the constituency of the Indianapolis Monetary Convention may proudly claim a great victory.

As to banking, the measures proposed are inadequate and will produce little improvement. The increase of the limit of issue from 90 to 100 per cent., together with a newly refunded bond at 2½ per cent. selling about par, will somewhat help those banks which issue notes. The removal of the tax from circulation will also work to the same end. The imposition of a tax on capital and surplus, however, meets with opposition from large banks, as well it might. These are exactly the institutions of the great financial centers, which issue no notes (to speak of) and which consequently pay no tax under the existing law. The country banks, on the other hand, which could not do business without notes have had to pay the tax in the past. By the new proposals, the country banks will be relieved at the expense of the large city banks, which is as it should be. This proposal ought to bring support to the measure from the South and West. But once the fundamentals of our currency have been settled, we may hopefully turn in the future to measures better suited to adapt our banking system to the needs of industry and trade.

SAUERBECK'S general index numbers for recent months show an increase of prices for extractive products and raw materials (foodstuffs not having recently changed):

April 1899	65.6	September 1899	68.3
July "	66.9	October "	70.0
August "	67.6	November "	71.5

As compared with 63.8 in December 1898 and the low point of 59.2 in July 1896 there is a marked upward movement. The average in past years was:

1883	82	1895	62
1889	72	1896	61
1893	68	1897	62
1894	63	1898	64

This rising tendency is confirmed by the London *Economist's* index number (in which cotton has again had a large influence):

December 1895	1999	March 1899	1973
" 1896	1946	June "	2028
" 1897	1890	August "	2035
" 1898	1918	September "	2085

At the end of October 1899 the index number had risen to 2128, or almost the initial point of 2200, which represents the average prices of 1845–1850.

ALTHOUGH the Statistical Report of the Interstate Commerce Commission for 1898, which has just come to hand, does not bring the returns within sixteen months of the present time, it does show a recovery by the roads of all that was lost during the years of depression. Gross earnings for the year ending June 30, 1898, were $1,247,325,621 as aganist $1,220,751,874 in 1893, the highest amount received in any year prior to 1898. This is a gain of 150 million dollars from the low water mark of 1894 or 1895. The report which we receive this time next year will show that this gain was more than doubled for the year ending June 30, 1899, and the monthly reports from roads in all sections of the United States show that great as the gains were last year, the high returns are being surpassed this year. The net income for 1898 shows a percentage of gain even greater than the gross earnings. Indeed the net income for 1898 is 85 million dollars above the low water mark of 1894,

or more than two and one half times as much as was available for dividends in 1894 or 1895. And yet the dividends actually paid in 1898 are 5.4 million dollars less than in 1894. But the dividend payments of 1894 left a deficit of nearly 46 million dollars while in 1898 there remained a surplus after dividends were paid of 44 million dollars. Although the gross and net earnings of the roads were greater in 1898 than ever before, there are only three years since 1890 when the stockholders have not received greater dividends. From 1890 to 1894 dividends were always above 100 million dollars, but in those years the surplus never exceeded 15 million dollars after dividends were paid, and in the years 1894, 1895, and 1897 there were heavy deficits. The surplus of 1898 looks as if the roads were being managed on a more conservative basis. The managers seem to have profited by the experience of the lean years and are laying up a surplus which will enable them to weather the next storm without taking refuge in the receiver's court.

The period of depression seems also to have taught lessons of economy and better methods of operation, for the increased earnings have been secured in spite of a steady decline in both freight and passenger rates. Increased traffic due to greater business activity is, of course, the most important factor in explaining the addition to gross earnings, but if operating expenses had not been materially reduced the net income showing would have been much less favorable. Freight rates have declined 20 per cent. since 1890, and yet the percentage of operating expenses is less in 1898 than in any previous year. In the face of all this decline, and while the railways are making a good profit in carrying freight at three fourths of a cent per ton per mile, a leading railway official declares before the Industrial Commission that there is still more waste in the railway business than in any other important industry. What will the rates be when consolidation or better organization eliminates the remaining items of waste ?

STREET RAILWAYS AND THE PUBLIC.[1]

THE paper presented by Mr. Yerkes at the recent meeting of the American Street Railway Association, and the discussion thereon,

[1] See paper by CHARLES. T. YERKES, "Investments in Street Railways ; how can they be made secure and remunerative." *Eighteenth Annual Report of the American Street Railway Association*, pp. 49–55.